



Is this the best we can do?

By Jim Waters

As this year's gubernatorial campaign unfolds in all of its benign beauty, I keep coming back to the same question: "Is this the best Kentucky can do?"

One political hack – this one a Republican from Meade County – thinks so. She called me last week and sprung this gusher: The incumbent and former physician-pilot-preacher-turned-politician Ernie Fletcher is "the greatest governor we've ever had."

I suspected she based her opinion on reasons beyond political success, leadership, competent advisers or charisma – all of which remain glaringly absent from the current administration.

So I asked: "Why? Why is it, exactly, that you think this is the 'greatest governor we've ever had?'"

My skeptical tone must have oozed out like her gusher. She nearly coded when digesting the idea that a columnist for a nonpartisan public-policy institute would actually seek an explanation for her seemingly odd opinion.

With Gomer Pyle-like aplomb, she offered this: "Welllllll – he took us from a state with little smiley faced license plates to having unbridled spirit!"

Unbridle me, I beg you, from the shackles of such partisan logic.

It gets worse.

She then experienced a Clinton moment: "Fletcher *cares* about our community." I thought she was going to start sobbing.

I felt her pain, but could she feel mine when I discovered how she defined "caring?" She meant that Fletcher toted big chunks of pork to towns – funded by our tax dollars – throughout Kentucky in a blatant political pandering exercise.

Truth is, I prefer the smiley faces. They give an appearance that things are looking up.

And Kentucky surely looks up – from near the bottom – at many other states when it comes to things such as our high tax rates.

The Small Business and Entrepreneurship Council, a Washington, D.C.-based nonprofit that advocates lower taxes and less regulation on small businesses, ranked Kentucky below 35 other states as possessing more "love" for small businesses.

Look “across” and “down,” and you’ll see neighboring states, primarily Indiana and Tennessee – ranked No. 12 and 13 respectively – by the council.

How could anyone come to conclusion offered by Fletcher’s political apologist in Meade County? Four years ago, this administration campaigned on becoming more competitive, yet we continue to lag behind – way behind.

While the index looks at many categories, the set that distinctly separates the top states from the bottom involves tax rates.

The index factors taxes on personal and corporate income, property, capital gains, gas, unemployment and the Internet. It reveals that only eight states and Washington, D.C. have more stifling tax policies than Kentucky.

Indeed, Kentucky suffers from a double-whammy: high personal-income tax rates, which discourage individual investment, and high corporate tax rates, which poison the entrepreneurial atmosphere and keep residents dependent on Frankfort to bribe companies via outrageous incentives to expand or open new facilities.

While a few states have as high or higher corporate tax rates as Kentucky, they apparently embrace enough economic sense to lower taxes in other areas. But Kentucky continues to maintain high corporate *and* personal tax rates.

For example, Indiana serves up a high 8.5-percent corporate income-tax rate. But it does not tax S-Corporations and keeps its top personal-income and capital-gains taxes at a relatively low 3.4 percent.

On the other hand, Kentucky offers a lower top corporate tax rate at 7 percent but also taxes S-corps at 7 percent, while forcing a 6-percent rate on an individual’s personal income and capital gains.

It’s no wonder that Kentucky gets passed over by Nissan, Hyundai and even Dollar General.

In 1939, J. L. Turner opened his first little store in Scottsville. You don’t get any more Kentucky than that. Dollar General grew into a Fortune 500 company in 1999. The following year, it left “My Old Kentucky Home” and moved to its “new” Tennessee corporate home.

As a result, Kentucky is missing out on the economic impact of having a company where sales have more than doubled – to \$9 billion – since 2000.

Don’t tell me that we can’t do better in “My Old Kentucky Home.”

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